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June 20, 2006

## **AGENDA ITEM 10 (REVISED)**

### **TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Approval of 2007 Self-Funded Health Plans Benefits and Rates
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends that the Committee approve the proposed 2007 rates (state and regional), for the Self-Funded Health Plans.

### **IV. ANALYSIS:**

Initial 2007 rates for the Self-Funded Health Plans were submitted in April 2006. CalPERS staff has conducted a thorough analysis of each rate proposal. These rates were calculated taking into account current utilization and cost trends and the need to maintain appropriate reserves under the Risk-Based Capital reserve methodology approved by the CalPERS Board in 2004.

Mercer Human Resource Consulting (Mercer), as well as Blue Cross's actuarial staff collaborated with CalPERS staff in review and assessment of the 2007 Self-Funded Health Plan rates.

#### Recommended 2007 Self-Funded Health Plan Rates

The recommended 2007 Self-Funded Health Plan rates for the State and the regional rates for contracting agencies are shown in Attachments 1 and 2. Regional pricing does not apply to contracting agency members enrolled in the Medicare plans.

The Self-Funded Health Plan rate changes for 2007 average a 12.89 percent increase for the Basic plans and a 6.77 percent increase for Medicare plans. Attachments 3 through 7 reflect the recommended benefit design and plan management initiative changes with the specific dollar amounts that will affect the rate for the Basic plan, if approved by the Board.

**V. STRATEGIC PLAN:**

This item supports the CalPERS Strategic Plan, Goal III: Design, develop, and administer benefit programs and business processes that are innovative, effective, efficient, and valued by our members, employers, and stakeholders.

**VI. RESULTS/COSTS:**

Costs associated with this item are continuously appropriated in the Public Employees' Health Care Fund.

Staff is available to respond to any questions.

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Attachments